

Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 XMB-02 EB-08 COME-00 PM-05 NSC-05
SP-02 SS-15 CIAE-00 DODE-00 INR-10 NSAE-00 PA-01
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FM AMEMBASSY ADDIS ABABA
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E.O. 11652: N/A
TAGS: EAIR PFOR ET
SUBJ: EAL TEAM DEPARTS FOR US; SEEKS EXIM FINANCING

REFS: A. ADDIS ABABA 1642 B. ADDIS ABABA 1619
C. ADDIS ABABA 1581 D. ADDIS ABABA 1538
E. ADDIS ABABA 1142 F. ADDIS ABABA 1658

1. SUMMARY: EAL TEAM DEPARTED ETHIOPIA APRIL 11 EN ROUTE TO US WITH HOPES OF CONCLUDING PURCHASE OF TWO NEW BOEING 727'S. EXIMBANK FINANCING SOUGHT, AND BELIEVED MERITED BY EMBASSY ON GROUNDS BOTH ECONOMIC AND POLITICAL REASONS. EAL IS A PROFITABLE ORGANIZATION, AND THE ETHIOPIAN GOVERNMENT HAS AN EXCEPTIONALLY GOOD RECORD IN MEETING INTERNATIONAL LOAN OBLIGATIONS. EAL INITIALLY HAS OFFERED TO PAY 30 PERCENT CASH: IF, DESPITE THIS HIGH DOWN PAYMENT, FINANCING IS NOT AVAILABLE FOR REMAINING PURCHASE COST, EAL MAY BE PUSHED AGAINST ITS OWN WISHES INTO TURNING TO THE COMMUNIST WORLD FOR NEW AIRCRAFT. END SUMMARY.

2. ETHIOPIAN AIRLINES (EAL) GENERAL MANAGER BRIG. GEN. TAFESSE, ALONG WITH FINANCIAL AND TECHNICAL ADVISERS, DEPARTED ETHIOPIA APRIL 11 EN ROUTE TO US.
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EAL TEAM HOPES TO CONCLUDE PURCHASE OF TWO NEW BOEING 727'S AND TO DISCUSS POTENTIAL FUTURE PURCHASES)REFS. D AND E).

3. EMBASSY STRONGLY SUPPORTS AIRCRAFT SALE TO EAL AND BELIEVES EXIMBANK FINANCING IS MERITED. EAL IS CONSIDERED TO BE THE STRONGEST BUSINESS ORGANIZATION

IN ETHIOPIA AND AS SUCH HAS BEEN ABLE TO RETAIN A CONSIDERABLE DEGREE OF AUTONOMY. ITS MANAGEMENT IS CAPABLE AND DEDICATED TO MAINTAINING THE ORGANIZATION'S REPUTATION AND PROFITABILITY. PRELIMINARY FINANCIAL INDICATIONS ARE THAT CY 1977 WAS A VERY PROFITABLE ONE FOR THE AIRLINE, AND CY 1978 SHOULD ALSO BE. (THESE INDICATIONS ARE CONFIRMED BY USCITS CONNECTED WITH FIRM.) IT IS PROBABLY FOR THIS REASON EAL HAS BEEN WILLING TO PAY DOWN 30 PERCENT OF THE SELLING PRICE, AND ON THE BASIS OF WHICH IT POSSIBLY COULD BE ENCOURAGED TO PAY DOWN AN EVEN HIGHER PERCENTAGE, IF ABSOLUTELY REQUIRED.

4. WHILE ETHIOPIA'S GENERAL ECONOMIC CONDITIONS HAVE NEVER BEEN ON A PAR WITH THOSE OF EAL, INDICATIONS ARE THAT EVEN HERE, THINGS ARE BEGINNING TO LOOK UP. THE OFFICIAL INCREASE IN THE COST OF LIVING (COL) INDEX FOR ADDIS ABABA IN CY 1977 WAS SLIGHTLY BELOW 15 PERCENT, A REMARKABLE ACHIEVEMENT UNDER THE CIRCUMSTANCES PREVAILING DURING THE YEAR. THE EMBASSY FORECAST FOR CY 1978 IS FOR A COL RISE NO LARGER, AND POSSIBLY SMALLER, THAN IN CY 1977 (REF. C). THE FACT THAT ETHIOPIA, AS FAR AS THE EMBASSY CAN DETERMINE, ALWAYS HAS KEPT UP TO DATE ON INTERNATIONAL LOAN PAYMENTS IS ALSO A STRONG ARGUMENT IN FAVOR OF EXTENDING ADDITIONAL FINANCIAL ASSISTANCE.

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5. CURRENT DEVELOPMENTS WHICH UNDERLINE A POSITIVE ECONOMIC PERFORMANCE IN CY 1978 AND BEYOND ARE THE IMMINENT REOPENING AND IMPROVEMENT OF THE ADDIS ABABA - DJIBOUTI RAILROAD, INCREASING COFFEE EXPORTS, IMPROVED HARVEST, AND GREATER ROAD TRANSPORT CAPABILITY (REFS. A AND B).

6. EFFORTS BEING UNDERTAKEN BY ETHIOPIAN AUTHORITIES TO IMPROVE THE COUNTRY'S ECONOMIC SITUATION ARE BEING REINFORCED BY CONTINUED ASSISTANCE FROM ABROAD. A MASSIVE REHABILITATION PROGRAM FOR THE OGADEN IS ALREADY IN PREPARATION, WHICH IS LIKELY TO DRAW FINANCING FROM VARIOUS INTERNATIONAL ORGANIZATIONS; THE IBRD HAS JUST APPROVED A LARGE IDA LOAN FOR A GRAIN STORAGE AND MARKETING PROGRAM AFTER A SPECIAL IBRD MISSION CONCLUDED THAT GENERAL ECONOMIC SITUATION AND CONDITIONS FOR PROJECT IMPLEMENTATION WERE FAVORABLE; THE UNDP RECENTLY ESTABLISHED A PROGRAM TO ENHANCE ROAD TRANSPORTATION, ETC. OTHER ECONOMIC DEVELOPMENT PROJECTS, FINANCED LARGELY FROM EASTERN EUROPEAN SOURCES, INCLUDE AN EXPANSION OF THE SUGAR INDUSTRY,

IMPROVEMENT OF PORT FACILITIES AT ASSAB, A NEW
TEXTILE PLANT, ETC.

7. COMPARED TO MOST OTHER AFRICAN COUNTRIES, THE
DEVELOPMENT POTENTIAL OF ETHIOPIA HAS LONG BEEN CON-
SIDERED HIGH. SHOULD THE PMGSE NOT BE ABLE TO OBTAIN
WESTERN ASSISTANCE AND FINANCING IN ACHIEVING THIS
POTENTIAL, QUITE NATURALLY THEY WILL TURN EXCLUSIVELY
TO THE COMMUNIST WORLD FOR ASSISTANCE. THIS IS
EXACTLY WHAT THEY DID IN 1976/77 WHEN, IN THEIR VIEW,
THE US WAS NOT SUFFICIENTLY RESPONSIVE TO THEIR RE-
QUESTS FOR NEEDED DEFENSIVE MILITARY ARMAMENTS.
INDEED, FAILURE TO OBTAIN REQUESTED ECONOMIC ASSIS-
TANCE FROM THE WEST PERFOREC WILL LEAVE THE PMGSE
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NO ALTERNATIVE BUT TO TIE THEMSELVES TO THE
COMMUNISTS. THE EMBASSY FEELS THAT THIS IS INSTANCE
WHEN HINDSIGHT SHOULD BE FORESIGHT.
MATHERON

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